

**ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE**

February 22, 2021

1:32 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Roger Holland, Vice Chair
Senator Joshua Revak
Senator Gary Stevens
Senator Elvi Gray-Jackson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S)
Alcoholic Beverage Control Board

Dana Walukiewicz - Anchorage
Diane Thompson - Anchorage
John Cox - Anchor Point

- CONFIRMATIONS ADVANCED

SENATE BILL NO. 55

"An Act relating to employer contributions to the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 55

SHORT TITLE: EMPLOYER CONTRIBUTIONS TO PERS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/25/21	(S)	READ THE FIRST TIME - REFERRALS
01/25/21	(S)	L&C, FIN
02/22/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

DANA WALUKIEWICZ, Appointee

Alcoholic Beverage Control Board

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Alcoholic Beverage Control Board.

DIANE THOMPSON, Appointee

Alcoholic Beverage Control Board

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Alcoholic Beverage Control Board.

JOHN COX, Appointee

Alcoholic Beverage Control Board

Department of Commerce, Community and Economic Development

Anchor Point, Alaska

POSITION STATEMENT: Testified as appointee to the Alcoholic Beverage Control Board.

GLENN BRADY, Chair

Alcoholic Beverage Control Board

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Highlighted industry challenges during the confirmation hearings for the Alcoholic Beverage Control Board.

CAROLINE SCHULTZ, Chief Policy Analyst

Office of Management and Budget

Office of the Governor

Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for SB 55 on behalf of the administration.

NEIL STEININGER, Director

Office of Management and Budget

Office of the Governor

Juneau, Alaska

POSITION STATEMENT: Provided information and answered questions related to SB 55 on behalf of the administration.

MIKE BARNHILL, Deputy Commissioner

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint on SB 55 on behalf of the administration.

ACTION NARRATIVE

1:32:22 PM

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at call to order were Senators Stevens, Holland, Gray-Jackson, and Chair Costello. Senator Revak arrived as the meeting was in progress.

CHAIR COSTELLO reviewed the agenda.

CONFIRMATION HEARING(S) **Alcoholic Beverage Control Board**

1:34:36 PM

CHAIR COSTELLO announced consideration of Governor Appointees to the Alcoholic Beverage Control Board. She asked each appointee to discuss their resume and interest in serving the public on this board.

1:34:51 PM

DANA WALUKIEWICZ, Appointee, Alcoholic Beverage Control Board, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, said his appointment is to one of the industry seats. He explained that he has been involved in the alcohol industry since he and a partner started King Street Brewing Company (KSBC) in Anchorage about 10 years ago. The business grew and a new facility made it possible to double production and expand sales throughout the state. This success has allowed him and his partner to give back to their local communities in a number of ways. The business expanded further in 2018 and they now hold multiple licenses. He has come to understand the complexities of dealing with federal, state, and municipal regulations. As a board member, he has worked with the Alcohol and Marijuana Control Office (AMCO) to support people trying to develop responsible businesses so that they may have the same opportunities to benefit and grow as he did. He also expressed his commitment to work to ensure that noncompliant operators correct deficiencies or are suspended. He said he looks forward to providing service to the state and hopes the confirmation of all appointees is timely. He noted that as of March 1 there will be only one confirmed member on the Alcoholic

Beverage Control Board and over 450 license applications awaiting board approval.

CHAIR COSTELLO noted that he previously worked for the Bethel Native Corporation, Harpoon Construction, and KPMG [accountancy firm], the latter of which required worldwide travel. She asked him to talk about his experience working in the Czech Republic, Slovakia, and Washington, DC.

MR. WALUKIEWICZ said he attended school at Georgetown University in Washington, DC and interned for the late Senator Ted Stevens. He started his career with KPMG in Seattle and did auditing in the Czech Republic and Slovakia. This was just after the fall of the Iron Curtain and he helped the privatization process by providing Western accounting standards to businesses looking for investment from Western countries. After that, he returned to his home in Anchorage and continued to work with KPMG, followed by work with Native corporations as CFO of construction. After about five years with Ukpeagvik Inupiat Corporation (UIC), he worked with Bethel Native Corporation helping local Native corporations improve their finances and benefit their communities. After working for 20 years as a CPA in accounting positions, he and his partner started the brewery. What started has a hobby has developed into a great success, he said.

CHAIR COSTELLO asked if the administration approached him to apply for the board position or if he applied on his own.

MR. WALUKIEWICZ replied it was a bit of both; he always had an interest in the board and was already aware of the open position when the administration approached him to apply.

CHAIR COSTELLO thanked him for being willing to serve the public.

CHAIR COSTELLO asked Diane Thompson to introduce herself and briefly discuss her experience and interest in serving on the board.

1:44:11 PM

SENATOR REVAK joined the committee.

1:44:17 PM

DIANE THOMPSON, Appointee, Alcoholic Beverage Control Board, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, stated that she was excited to have been approached to apply for a position on the ABC Board. She

has lived in Alaska since 1981 and has 35 years' experience working with Title 4 license applications and transfers. She can offer practical insight from an owner/operator perspective in the restaurant and alcohol industry. From 1994-2000 she worked as a founder, major shareholder, and general manager of Humpy's Great Alaskan Alehouse in Anchorage. Currently she is part owner and manager of Fire Tap Alehouse and Restaurant, both of which operate under a full dispensary license and restaurant eating house designation. Fire Tap Alehouse also has a package store license. She related that she did the Title 4 applications and transfers for those businesses and has offered similar assistance to associates.

MS. THOMPSON reported that she currently serves as president of the Alaska Hospitality and Retailers Board, which has been active supporting the hospitality industry during the municipal emergency orders related to COVID-19.

She reported that she resigned from the Alaska Workers' Compensation Board when she was approached to apply for a seat on the Alcoholic Beverage Control Board. She thanked the committee and said she looks forward to serving on the board.

CHAIR COSTELLO stated appreciation for her commitment to the community.

1:47:16 PM

SENATOR STEVENS thanked her for her service and asked what the future holds for businesses affected by COVID-19.

MS. THOMPSON said she feels that additional lockdowns in Anchorage will hurt the small businesses that have managed to stay open. Without government assistance, she does not believe that the businesses that are just hanging on will be able to survive. She related that her business is down about \$1 million compared to revenues from the year before last.

SENATOR STEVENS thanked her for her perspective.

CHAIR COSTELLO thanked her for putting her name forward.

CHAIR COSTELLO asked John Cox to share his interest in serving on the board, his experience, and why this would be a good fit.

1:49:48 PM

JOHN COX, Appointee, Alcoholic Beverage Control Board, Department of Commerce, Community and Economic Development

(DCCED), Anchor Point, Alaska, stated that he is a Navy veteran, a business owner, and he previously served on the board for veterans of foreign wars. He resigned that position to ensure there would be no conflict should he be confirmed to serve on the ABC Board. He said it would be an honor to serve in this capacity. He opined that his leadership skills, experience, and business history selling alcohol would benefit commerce in Alaska and the legislative branch. He advised that he has been reviewing Title 4, Chapter 5 and has identified issues that require attention to help local economies, fairness in business development, and to avoid possible legal actions against the State of Alaska. He thanked the committee for considering his application.

1:51:25 PM

SENATOR GRAY-JACKSON asked what business he owns.

MR. COX replied he owned a tobacco store until a break in put him out of business. He bought the building where the store was located and now rents it to other businesses.

SENATOR GRAY-JACKSON asked how long he was in business.

MR. COX answered five years.

SENATOR GRAY-JACKSON asked what specific Title 4 issues he had identified.

MR. COX said the first issue relates to community population limits for someone to apply for a license. For example, he could not apply for a license in the community where he resides; he would have to purchase a license from an existing business. He opined that this process creates a monopoly, which violates the antitrust laws.

1:55:20 PM

SENATOR GRAY-JACKSON asked how he proposes to address the issue.

MR. COX replied he would talk to the attorneys on the board but he believes that opening a new business should be dependent on consensus of the people living in the area. He prefers the approach for opening new marijuana businesses in an area.

CHAIR COSTELLO noted that Glenn Brady, the chair of the ABC Board, was available to answer questions.

She asked Mr. Brady what he sees as the biggest challenge in moving this industry forward and the role of the board.

GLENN BRADY, Chair, Alcoholic Beverage Control Board, Anchorage, Alaska, stated that the most significant challenge is the adoption of SB 9, which is the culmination of years of effort to rewrite Title 4, and the subsequent adoption of regulations to make the rule changes effective. Another challenge is to maintain the integrity and authority of this quasi-judicial board to control the commerce, sale and distribution of alcohol in Alaska. Maintaining coherent and consistent control of this commerce is important because of the potential public health and safety implications. It is also important to adopt practices and policies to improve the engagement of AMCO with its licensees and the public.

CHAIR COSTELLO related her experience working on several boards and said it is important for new members to understand that the staff carry out the decisions the boards make.

CHAIR COSTELLO asked for his perspective on how COVID-19 has affected the industry.

MR. BRADY answered that when the emergency order was adopted, the board quickly transitioned to curbside and home delivery as a mechanism to allow industry to function with full oversight and compliance with Title 4. The board also was responsive in streamlining business processes to allow licensees to adapt to social distancing. He said he is proud of the way the board and staff have operated during the pandemic and maintained a transparent meeting process.

[2:03:34 PM](#)

CHAIR COSTELLO opened public testimony on the appointments to the Alcoholic Beverage Control Board; finding none who wished to testify, she closed public testimony.

In accordance with AS 39.05.080, the Senate Labor and Commerce Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Alcoholic Beverage Control Board

Dana Walukiewicz - Anchorage
Diane Thompson - Anchorage
John Cox - Anchor Point

Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.

[2:04:15 PM](#)

At ease

SB 55-EMPLOYER CONTRIBUTIONS TO PERS

[2:08:57 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SENATE BILL NO. 55, "An Act relating to employer contributions to the Public Employees' Retirement System of Alaska; and providing for an effective date."

She stated that the intention is to hear the introduction, take questions and hold the bill for further consideration. She noted who was representing the administration.

[2:09:54 PM](#)

CAROLINE SCHULTZ, Chief Policy Analyst, Office of Management and Budget, Juneau, Alaska, stated that SB 55 excludes the State of Alaska, as an employer, from the 22 percent cap on payroll for the Public Employment Retirement System. She presented the following sectional analysis on behalf of the administration:

Sec. 1: Amends AS 36.35.255(a), the statutory 22 percent cap on payroll for PERS employer payroll contributions, to specify an exception referenced in new subsection (i).

Sec. 2: Adds a new subsection (i) that specifies the state as an employer shall contribute to PERS each payroll period an amount sufficient to:

- Pay the actuarially determined normal cost;
- Contributions required under AS 39.30.370 to the retiree health reimbursement arrangement plan trust fund;
- Contributions required under AS 39.35.750 to individual retirement accounts, for retiree major medical insurance, and for occupational disability and death payments;
- And past service cost for members at the actuarial contribution rate adopted by the

Alaska Retirement Management Board under AS
37.10.220.

Sec. 3: Adds new section to uncodified law allowing the commissioner of the Department of Administration adopt regulations to implement secs. 1 and 2 and specifies regulations may not take effect until July 1, 2021.

Sec. 4: Immediate effective date for sec. 3.

Sec. 5: Effective date of July 1, 2021 for secs. 1 and 2.

[2:11:31 PM](#)

MS. SCHULTZ advised that she also attached the statutory references to the health and employer contributions.

CHAIR COSTELLO asked what problem this bill solves and if the expectation is that the percentage will rise and fall with the actuarial costs.

MS. SCHULTZ suggested that Mr. Steininger discuss the concepts behind the bill.

[2:12:28 PM](#)

NEIL STEININGER, Director, Office of Management and Budget, Office of the Governor, Juneau, Alaska, stated that the intention of SB 55 is to reduce the general fund cost of employee retirement by increasing the share received from federal and other funds in order to pay those costs. To the question about fluctuation over time, he said the actuarial rate is determined on an annual basis so it fluctuates each year. He advised that Mr. Barnhill would provide some history on what the percentages have been over the last several years so the committee can get an idea about the range of fluctuation.

[2:13:31 PM](#)

SENATOR STEVENS asked what the practical impacts might be for retirees and new employees.

MR. STEININGER answered that there is no impact to individual retirees or the benefits paid to retirees or employees paying into retirement plans. The intention is only to change the way the costs are financed. "We still intend to pay the full actuarial liability into the pension system; it is just how

we're able to charge and get participation from federal programs."

2:14:26 PM

SENATOR GRAY-JACKSON asked for an example of an actuarially determined cost.

MR. STEININGER answered that for FY22, the actuarial determined cost is 30.11 percent of state payroll. He explained that 30.11 percent is a blended rate that covers the three defined benefit tiers and the one defined contribution tier in the PERS retirement system.

SENATOR GRAY-JACKSON asked for an example of the individual cost for an employee in the defined benefit tier, as opposed to the 22 percent the state is currently paying.

MR. STEININGER directed attention to the sheet in the packets that shows the retirement contributions for an example employee and where the costs outside of salary fall. It provides a cost comparison between current law and the proposed law, he said.

Under current law, the retirement benefit is 22 percent of the sample employee's \$60,411 salary. Towards the bottom of the chart is the 8.11 percent or \$4,899.33 state assistance payment, which makes up the difference between the 22 percent cap and the actuarial liability.

The state agency the employee works for pays 22 percent or \$13,290.42 into the retirement system. The \$4,899.33 state assistance payment is outside the agency's budget. The total actuarial retirement liability for this employee is \$18,189.75. That covers the employee's actual service cost as well as past service costs for liabilities the state has created in the past.

2:18:10 PM

SENATOR GRAY-JACKSON asked if employees would have to contribute more than they do currently.

MR. STEININGER answered no. The bill only looks at the employer side of the liability.

SENATOR GRAY-JACKSON asked if the "current situation will remain whole."

MR. STEININGER confirmed that it would.

2:19:11 PM

CHAIR COSTELLO asked him to talk about the unfunded liability and the number of members in PERS who are under defined benefit versus defined contribution. She acknowledged that the bill does not affect the Teachers Retirement System (TRS), but asked how many individuals are in that system.

MR. STEININGER stated that the PERS unfunded liability is \$4.8 billion and the TRS unfunded liability is just under \$1.4 billion. He said he did not have the total number of PERS and TRS employees, but perhaps Ms. Schultz had the information.

MIKE BARNHILL advised that he had the numbers.

CHAIR COSTELLO asked if there were additional questions for Mr. Steininger.

2:20:37 PM

SENATOR STEVENS asked how the federal government would pay a larger share.

MR. STEININGER directed attention to slide 6 and explained that state programs pay 22 percent of payroll. It may be general fund entirely or some federal participation. For example, a given employee may be working on a federal public assistance program that has a 25 percent match to a 75 percent federal share. That employee's salary would be paid 25 percent with general funds and 75 percent with federal monies.

He explained that the way the state bills the federal government is based on the amount assigned to that program. The 22 percent of payroll (the employer contribution) is the amount assigned to programs in the state budget. That is currently capped in statute. The additional 8.11 percent in FY21 to get to the full actuarial amount is paid for in the state assistance or the on behalf payment. The dark blue represents that on the right of slide 6. That amount is paid 100 percent from general fund. SB 55 seeks to put the 8.11 percent into the amount assigned to agency programs. Then when the Department of Health and Social Services (DHSS) or another agency that has federal participation negotiates its cost share with the federal government, they are showing the full actuarial cost of that retirement system payment.

MR. STEININGER said that once the state can show the total amount of actuarial liability related to overhead costs for an employee, it can be built into the cost allocation plans for

federal programs. He noted that this also applies to some other programs that are funded with other funds through the state budget.

MR. STEININGER said slide 7 shows the employer contribution applied to an employee's budgeted cost. It shows up in the actual program budget, not a separate section of the budget where it cannot receive any federal participation.

2:24:08 PM

CHAIR COSTELLO asked if other states have a separate on-behalf-of payment or if it is treated the way SB 55 proposes.

MR. STEININGER explained that every state treats their actuarial liability differently but the on-behalf-of payment is unique. He deferred to Mr. Barnhill to provide a more nuanced answer.

CHAIR COSTELLO asked Mr. Barnhill to respond to any of the questions or go through the PowerPoint.

2:25:28 PM

MIKE BARNHILL, Deputy Commissioner, Department of Revenue, Juneau, Alaska, reported that as of September 30, 2020 there were 34,718 active members spread among the four tiers of the Public Employee Retirement System (PERS). The defined benefit Tiers I, II, and III had 10,963 employees, which is roughly 32 percent of the total membership. The remaining 23,755 active members were in the defined contribution Tier IV. This is roughly 68 percent of the total membership. These numbers are updated quarterly and they show a steady migration to the defined contribution Tier IV because defined benefit employees are retiring.

CHAIR COSTELLO asked if he had the data for the Teachers' Retirement System (TRS).

MR. BARNHILL said he had the data, but he wanted to clarify that SB 55 does not apply to TRS. He recounted that as of September 30, 2020 there were 9,859 total active members in the three tiers of TRS. The defined benefit Tiers I and II had 3,808 active members and the defined contribution Tier III had 6,051 active members.

2:29:23 PM

CHAIR COSTELLO referred to a document in the packet and asked if there was a rationale for not including TRS employees, the university, state corporations, and municipalities.

2:29:52 PM

MR. BARNHILL stated that the State of Alaska is the largest and only PERS employer affected by SB 55.

SENATOR GRAY-JACKSON asked if the bill was an effort to address the unfunded liability.

MR. BARNHILL answered no.

CHAIR COSTELLO asked him to proceed with the presentation, weaving in any answers to questions he heard previously.

2:31:14 PM

MR. BARNHILL directed attention to the graph of the historical PERS/TRS unfunded liability on slide 3 and the document in the packets labeled, "SB 55: Employer Contributions to PERS." He prefaced his comments by explaining that a defined benefit retirement system defines the benefit by formula and sets it in statute. In this system, investment managers invest the combined contributions from employees and employers. The intention is that the money from the contributions and investment earnings will pay 100 percent of the defined benefits when they come due. However, investment losses and inaccurate actuarial predictions sometimes result in shortfalls, which are the unfunded liability.

He pointed out the dramatic increase of PERS/TRS liability that rose from zero in 2000 to more than \$12 billion by 2013. It starts to decline the next year and the unfunded liability in 2020 is roughly \$6.2 billion. He said he would talk about a couple of reasons the liability went up and why it went down and he would give a couple of examples of how the legislature addressed the issue.

MR. BARNHILL stated that the increase in the liability from 2000 to 2010 can be attributed to investment losses in 2000 and 2001 due to the dotcom bust; investment losses in 2009 due to the great financial recession; and actuarial malpractice. He said all public retirement systems in the country experienced similar investment losses but Alaska was unique in having to wrestle with actuarial malpractice over that same time.

He advised that the legislature did three primary things to address the increasing unfunded liability. First, it enacted Senate Bill 141 in 2005 that closed the defined benefit plan to new employees and created a defined contribution plan for new

employees. In the new plan, the amount of the contribution is fixed in statute and the employee invests those contributions. In this plan, the employee bears the risk.

MR. BARNHILL explained that as the unfunded liability increased, employer contributions skyrocketed and municipalities and school districts faced insolvency. For perspective, employer contribution rates in the 1990s were 10 percent or less for PERS and about 12 percent for TRS, but rates tripled and quintupled from 2000-2010. The legislature addressed the issue by enacting Senate Bill 125 in 2008 that capped the employer contribution rate at 22 percent of payroll for PERS and 12.56 percent for TRS.

[2:39:28 PM](#)

MR. BARNHILL advised that prior to 2008, all employers paid their contributions by building it into the personal services line. With the advent of Senate Bill 125 in 2008, employers only built the 22 percent into the personal services line, but the actuaries continued to compute the actual actuarial contribution rate. He directed attention to slide 4 that shows the history of the actuarial contribution rate. He explained that the blue horizontal line is the 22 percent cap rate and the orange that moves up and down is the actuarial rate for 2008 through the present. The spread between the two lines is what the State of Alaska made up for PERS through state assistance, which is only unrestricted general funds. Starting in 2008 the state lost the ability to bill the entirety of the actuarial rate to all of the funding sources that make up how the personal services line is funded.

Responding to Senator Stevens' earlier question about why this wasn't done earlier, he said the issue was discussed when Senate Bill 125 was enacted in 2008 and he recalled seeing a spreadsheet in 2011 that showed what the state was losing by not billing for the State of Alaska to all its funding sources.

[2:40:54 PM](#)

SENATOR STEVENS asked if passing SB 55 would affect municipalities' payments in any way.

MR. BARNHILL answered no; SB 55 does not change the amount the state will pay PERS for State of Alaska liabilities, just the way that it is done. Instead of paying the employer contribution in two ways, the state assistance on behalf of the State of Alaska will be collapsed into the personal services line, which is the way it was paid in all years up to 2006.

2:42:51 PM

SENATOR GRAY-JACKSON asked for the ultimate goal of this legislation.

MR. BARNHILL replied the ultimate goal is to pay for State of Alaska PERS employer contributions with the full array of funding sources used to pay the personal services line.

2:44:01 PM

MS. SCHULTZ added nuance stating that the goal is to continue to make the full appropriation for the unfunded liability and the full retirement contribution. The reason for paying the entire employer contribution through the personal services line is that it will save approximately \$30 million in unrestricted general funds from the state budget in the first year. The savings are expected to increase in future years.

CHAIR COSTELLO offered her understanding that this is moving entries on the ledger to capture more federal assistance and increase transparency about the actual costs. Acknowledging that the bill does not address the unfunded liability, she asked if the administration had a position on the advantage of trying to pay down that liability.

2:45:52 PM

MR. BARNHILL referred to slide 3 and explained that the unfunded liability dropped from a little over \$12 billion to just over \$6 billion in the second decade of the century for three primary reasons: substantial investment gains; the legislature paid down the liability with \$3 billion from the Constitutional Budget Reserve in 2014; and the health costs decreased substantially.

He said he could not speak to the administration's position on paying down the unfunded liability but the position of all administrations in the last ten years has consistently been to keep up with PERS/TRS liabilities and to contribute extra when possible. He pointed out that the funding for the retirement systems has improved from close to 50 percent to 80 percent today, and that the state is keeping up with the annual payments the actuary recommends.

2:49:21 PM

SENATOR STEVENS asked him to reassure PERS and TRS retirees that their PERS and TRS retirements are not in jeopardy.

2:50:36 PM

MR. BARNHILL stated that the Alaska retirement systems are 80 percent funded and an actuarial plan is in place to achieve full funding in 2039 or 2040. The state has a legal security for the benefits supported under the plans per the anti-diminishment clause in the Alaska Constitution. He emphasized that people should not be concerned about the security of the plans.

[2:52:20 PM](#)

SENATOR STEVENS said, "What I hear you saying Mr. Barnhill is that there really is no way the state can avoid paying the state retirement that both PERS and TRS employees are now receiving."

MR. BARNHILL replied, "Never say never. Right now, we're in a great place and we just need to have discipline. I don't know what the next 20 years hold, but I think as long as we continue the path that we're on we will make the payments when due."

SENATOR GRAY-JACKSON asked if there was any way that SB 55 would affect the unfunded liability.

MR. BARNHILL replied he believes the actuaries will ultimately show a zero actuarial impact.

[2:54:48 PM](#)

SENATOR GRAY-JACKSON said his response was why she asked the question.

CHAIR COSTELLO encouraged the members to submit any further questions to her office and she would forward them to the administration for a written response.

She asked what effect an early retirement bill might have.

MR. BARNHILL explained that the actuaries compute the accrued liability on an employee-by-employee basis. For employees who take advantage of an early retirement plan (RIP) early in the actuarial model, not enough has been collected from that employee to fund their retirement, which creates an unfunded liability. That is not the case for employees who retire later in the actuarial model, but the general experience of RIP plans is that the retiring employee goes back to work so it costs the state and the employer more in the long run.

CHAIR COSTELLO asked how the state addresses retirees who are collecting retirement and return to work, also known as "double dipping."

MR. BARNHILL replied the systems do not permit double dipping but the legislature has allowed, in certain instances, certain types of positions to double dip. His belief, he said, is that all those exemptions have expired. He added that the bigger issue is that the retired employee returns at their higher salary so the reduction in active personal services cost is not realized.

CHAIR COSTELLO observed that the legislature has reasons for rehiring retired individuals, and suggested the legislature consider a rehire exemption for nurses during the ongoing COVID-19 pandemic instead of bringing nurses to Alaska from out of state.

[3:00:12 PM](#)

CHAIR COSTELLO thanked the presenters and held SB 55 for further consideration.

[3:00:55 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 3:00 p.m.